

**House File 56 - Introduced**

HOUSE FILE 56

BY MOHR

**A BILL FOR**

1 An Act relating to the acquisition of water, sanitary sewer,  
2 and storm water utilities by rate-regulated public  
3 utilities.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 476.84, subsection 2, Code 2023, is  
2 amended to read as follows:

3 2. a. A public utility shall not acquire, in whole or in  
4 part, a water, sanitary sewer, or storm water utility with  
5 a ~~fair market value~~ purchase price of five ~~hundred thousand~~  
6 million dollars or more from a non-rate-regulated entity  
7 described in [section 476.1, subsection 4](#), unless the board  
8 first approves the acquisition. In addition, if the utility to  
9 be acquired is a city utility, then the public utility shall  
10 not acquire the city utility until the city has first ~~met~~  
11 certified completion of the requirements of [section 388.2A](#).

12 b. If a water, sanitary sewer, or storm water utility that  
13 is the subject of an acquisition meets the requirements of  
14 paragraph "a", then the acquiring public utility may apply to  
15 the board, prior to the completion of the acquisition, for  
16 advance approval of a proposed initial tariff for providing  
17 service to customers of the acquired utility.

18 c. As part of its review of the proposed acquisition,  
19 the board shall specify in advance, by order issued after a  
20 contested case proceeding, the ratemaking principles that will  
21 apply when the costs of the acquired utility are included in  
22 regulated rates. The lesser of the sale price or the fair  
23 market value of the acquired utility as established pursuant  
24 to [section 388.2A, subsection 2](#), shall be used in determining  
25 the applicable ratemaking principles. In determining the  
26 applicable ratemaking principles, the board shall not be  
27 limited to traditional ratemaking principles or traditional  
28 cost recovery mechanisms. Among the principles and mechanisms  
29 the board may consider, the board has the authority to approve  
30 ratemaking principles that provide for reasonable restrictions  
31 upon the ability of the public utility to seek an increase  
32 in specified regulated rates for a period of time after the  
33 acquisition takes place. The final order including the rate  
34 base and approving the acquisition shall consider reasonable  
35 and customary closing costs, the cost of appraisals, and

1 regulatory and legal expenses incurred in connection with the  
2 acquisition.

3     *d.* In determining the applicable ratemaking principles,  
4 the board shall find that the proposed acquisition will result  
5 in just and reasonable rates to all customers of the public  
6 utility, including but not limited to existing customers of  
7 the public utility. In making this finding, the board may  
8 consider any factor it reasonably concludes may affect future  
9 rates, including but not limited to the price paid for the  
10 acquired utility and the projected cost of reasonable and  
11 prudent ~~changes to~~ investments in the acquired utility in order  
12 to provide ~~adequate~~ safe and reliable services and facilities  
13 to customers. The board shall consider whether there are  
14 ratemaking principles that will result in just and reasonable  
15 rates to all customers in determining whether to approve or  
16 disapprove a proposed acquisition.

17     *e.* If the acquisition involves a utility that is an at-risk  
18 system as defined in [section 455B.199D](#), the board shall  
19 issue a final order on an application for approval of the  
20 acquisition within one hundred twenty days from the filing of  
21 the application. For all other acquisitions, the board shall  
22 issue an order within one hundred eighty days of the filing  
23 date of the application.

24     *f.* Upon the approval of a proposal for acquisition by  
25 board order, the parties subject to the acquisition shall  
26 have the option of either proceeding with such acquisition or  
27 not, subject to any termination provisions contained in the  
28 acquisition agreement.

29     *g.* Notwithstanding any provision of [this chapter](#) to the  
30 contrary, the ratemaking principles established by the board  
31 pursuant to [this section](#) shall be binding with regard to the  
32 acquired utility in any subsequent rate proceeding.

33 EXPLANATION

34     The inclusion of this explanation does not constitute agreement with  
35     the explanation's substance by the members of the general assembly.

1     This bill relates to the acquisition of water, sanitary  
2 sewer, and storm water utilities by rate-regulated public  
3 utilities.

4     The bill increases the threshold amount requiring utilities  
5 board (board) approval from \$500,000 to \$5 million when a  
6 public utility is acquiring a water, sanitary sewer, or storm  
7 water utility. The bill modifies city utility acquisition to  
8 include that the city must first certify completion of the  
9 requirements of Code section 388.2A, including an appraisal  
10 for the fair market value of the utility system, discussion  
11 of alternatives of the sale of the utility system, and a city  
12 council proposal for the sale. Current law requires that the  
13 city meets the requirements, but not certifies compliance.

14     The bill provides that the rate base in the final order  
15 approving an acquisition shall include reasonable and customary  
16 closing costs, the cost of appraisals, and regulatory and legal  
17 expenses incurred in connection with the acquisition.

18     The bill provides that the board shall issue a final order  
19 within 120 days of the filing of an application for the  
20 acquisition of an at-risk utility system, or an order within  
21 180 days for all other acquisitions. Current law provides that  
22 the board shall issue a final order within 120 days of filing  
23 the application for a utility that is an at-risk system.